

CALVET INSURANCE AND HOME PROTECTION PROGRAMS

- Fire and Hazard Insurance Program
- Disaster Indemnity Program

October 31, 2005 through October 30, 2006

California Department of Veterans Affairs
Farm and Home Purchases Division
Home Protection and Insurance Unit

CONTENTS

Introduction.....	1
Changes.....	2
Addresses and Phone Numbers	2
Fire & Hazard Program	
Form A – Dwelling, Private Structures	3
Special Form Coverage Summary.....	3
Form B – Farm and Outbuilding	5
Form Coverage Summary	5
What to Do in Case of a Claim (Loss)	6
Indemnity Program	
(Earthquake and Flood)	8
Coverage Summary	8
What to Do in Case of a Claim (Loss)	9
Commonly Asked Questions	10
What To Do if You Are Not Satisfied With the Settlement of Your Claim.....	13
This brochure was printed at no cost to the California Department of Veterans Affairs	

Dear Homeowner,

This pamphlet has been written to provide you with a brief summary of your Fire & Hazard Coverage (unless you live in a mobile home, condominium or town house) and Earthquake/Flood Protection under the California Department of Veteran Affairs (CDVA) Indemnity Fund. We will answer the most commonly asked questions about both programs. If you have a question that is not answered here, please call the CDVA Home Protection Administration Unit. Telephone numbers are listed on Page 2 of this brochure.

Your home and other buildings on your property may be insured against loss or damage from fire, earthquake and other causes of loss. Since every homeowner's property is unique, please refer to the Coverage Summaries in this brochure to determine which buildings and what circumstances are covered.

These programs do not provide coverage for household contents and personal property, nor for your personal liability (injury to a person or their property while on your premises).

Businesses run out of your home are prohibited unless a special exemption, in writing, is given to you by the California Department of Veterans Affairs. If you do run a business out of your home, *you must carry* Liability Insurance in the total amount of \$3,000,000 (or the amount required by law and/or by the licensing requirements for your business) and the insurance policy must name the California Department of Veterans Affairs as an Additional Insured.

Who Should Read What Section:

- If your home is a single-family dwelling, then Form A of the Fire & Hazard Program applies to you. The Indemnity Program applies to you as well.
- If you live on a farm and have farm-related buildings on your property, then read Form B, as well as Form A, of the Fire & Hazard Program. If you have a property with farm-related buildings, read Form B. The Indemnity Fund applies to properties covered by Forms A and B.
- If you live in a mobile home, condominium or townhouse, *only* the Indemnity Fund is available to you. You *must* obtain your own insurance coverage protecting your mobile home or condominium or town house from all losses except Earthquake and Flood (as provided under the Indemnity Fund) or you are in violation of your Purchase Contract/Loan with the Department of Veterans Affairs.

Note: All CDVA contract holders are required to participate in these programs.

These two Protection Programs are operated by the Department, on your behalf. The premiums you pay for coverage are projected to cover the cost of claims, operations and excess coverage policies the Department purchases. The Department reserves the right to adjust your premiums or make assessments as necessary to cover the costs of operating these programs.

Nothing in this pamphlet is intended to alter, change or amend coverage as provided by the Fire and Hazard Program or the Indemnity Program.

2005/2006 Changes:

We have amended coverage for fences to full replacement cost value less the good neighbor deduction (when applicable). Therefore, the amount of loss will be the amount actually and necessarily expended to repair or rebuild the fence with material of like kind and quality. Fifty percent discount will be taken on losses involving fences shared with neighbors.

CAL VET Phone & Address List

Bakersfield: 866-653-2507

5500 Ming Avenue, Suite 155
93309 Bakersfield@cdva.ca.gov

Fresno: 866-653-2511

1752 East Bullard Ave., Suite 101
93710 Fresno@cdva.ca.gov

Redding: 866-653-2508

930 Executive Way, Suite 125
96002 Redding@cdva.ca.gov

Riverside: 800-700-2127

1770 Iowa Ave., Suite 260
92507 Riverside@cdva.ca.gov

Sacramento: 866-653-2510

1227 O Street, 1st Floor
95814 Sacramento@cdva.ca.gov

San Diego: 866-653-2504

3160 Camino Del Rio South, Suite 112
92108 SanDiego@cdva.ca.gov

You may also reach the California Department of Veterans Affairs at:

California Department of Veterans Affairs

P.O. Box 942895

Sacramento, CA 94295-0001

Toll Free Information Number: 1-800-952-LOAN (5626)

Internet Web Site: www.cdva.ca.gov

General Information Email address: loanserv@cdva.ca.gov

Fire & Hazard Program

Form A—Dwelling, Private Structures Special Form Coverage Summary

This is a summary of coverage only. It does not replace the actual contract language in Form A. Please refer to Form A for complete terms, conditions and limitations of your coverage and your responsibilities. This coverage is issued subject to the Master Excess Insurance Policy issued to the California Department of Veterans Affairs and is subject to the deductibles, terms, conditions and provisions of the Master Excess Insurance Policy.

This program does not provide coverage for household contents and personal property, nor is coverage provided for your personal liability (injury to a person or their property while on your premises).

Covers:

- **Your Home**, meaning your primary residence or dwelling, including attached structures such as a garage. If you are building, renovating or adding on to your home, your property is insured during construction. Building materials and supplies to be incorporated into the home, while on or next to your property are also covered.
- **Buildings** on your property (other than your primary residence), including a second home on the same premises. They may *not* be used for commercial, manufacturing or farming purposes. In order to be insured, buildings must be used for the purpose they were originally intended [e.g. a garage must be used to house vehicle(s).]
- **Rental Value**, meaning the fair rental value of the building, less charges and expenses that do not continue (such as electric, water, garbage, etc. if you pay for these utilities). You must receive prior written permission from CDVA to rent your CalVet property (whether in whole or in part, as, for example, with an apartment or granny unit).
- **Additional Living Expense (ALE)**, meaning the necessary increase in living expenses required to maintain your normal standard of living, after a loss.
- **Trees, Shrubs, Plants and Lawns, within landscaped areas only.** Those grown for commercial purposes are **not** covered. Landscaped areas are defined as any alteration to the natural condition of the land by grading, landscaping including but not limited to trees, shrubs, plants, lawns, etc., earthen dikes or dams, as well as additions to land such as pavements, driveways, or similar works.

Covered Causes of Loss (“Perils”):

You are covered for loss or damage as a direct result of any cause except those causes specifically excluded in the policy.

Coverage for trees, shrubs, plants and lawns is limited to loss caused by fire, lightning, smoke, windstorm, hail, explosion, riot, riot attending a strike, civil commotion, aircraft, vehicles (except vehicles owned or operated by an occupant of the described premises) and as further described in Form A.

Note:

This policy specifically excludes all losses caused by wear and tear, deterioration, rust, mold, wet or dry rot, contamination, vermin and the like. *As a result*, proper maintenance of your property is critically important to avoid an uninsured loss.

In addition, if you have *intentionally* concealed or misrepresented any material fact or circumstance, engaged in fraudulent contact or made false statements relating to this insurance, coverage under the entire Form A is void.

Amount of Insurance (“Limits”):

- **For Your Home** (“Dwelling”): The amount of insurance is shown on the Certificate of Insurance you receive from CDVA.
- **For Buildings** (as previously defined): Up to 20% of the dwelling limit/Certificate Amount *in addition* to the dwelling limit.
- **For Rental Value** (as previously defined): Up to 20% of the dwelling limit/Certificate Amount *in addition* to the dwelling limit.
- **For Additional Living Expense** (as previously defined): Up to 20% of the dwelling limit/Certificate Amount *in addition* to the dwelling limit.
- **For Trees, Shrubs, Plants and Lawns:** Up to 5% of the dwelling limit/Certificate Amount may be applied to these items if they are within landscaped areas as defined, but no more than \$250 is payable for any one tree, shrub or plant, including the cost to remove debris (e.g. a tree that has blown over or burned).

What You Will Receive If You Have A Loss

You are guaranteed to receive the cost to replace your home (Guaranteed Replacement Cost), subject to the Deductible and Special Conditions listed below.

Note: To obtain Guaranteed Replacement Cost you are required by law to report changes to CDVA, including changes in square footage, plus improvements, alterations, and renovations.

If you have a loss that essentially destroys your home, you can elect a cash settlement should you decide not to repair or rebuild your home. You will receive the fair market value of the damaged and/or destroyed dwelling or private structure(s) based upon the difference in the measure of its fair market value immediately prior to the loss, and that subsequent to the loss, but in no case more than the amount required to repair or replace the damaged property.

Fences and all other structures that are not buildings are covered at the cost to repair or replace that part of the structure damaged or destroyed with material of like kind and quality.

(Note: You must purchase your own Fire & Hazard Insurance to cover your mobile/ manufactured home. If you reside in a planned unit development, you are responsible for coverage that will be provided through a blanket policy covering all properties within the development.)

Deductible:

You, the Certificate Holder, have a \$250 deductible applying to each loss. This amount will be deducted from your loss payment. This deductible does not apply to Additional Living Expense or Rental Value.

Special Conditions:

Building Code Upgrade Coverage: You will receive up to 10% of the amount of insurance as shown on your Certificate to meet current building codes with respect to repairs for the dwelling only. This coverage is *in addition* to the dwelling limit.

Debris Removal: You will receive up to 5% of the amount of insurance as shown on your certificate to remove debris after a loss. This coverage is *in addition* to the dwelling limit.

Fire Department Service Charge: You will receive up to \$500 to cover this charge if incurred after a fire. This charge is included in the dwelling limit. You must be living outside the Fire Department's jurisdiction and have a contracted agreement with the department or district to respond to a fire or covered peril at your property.

Fire & Hazard Program

Form B – Farm and Outbuilding Form Coverage Summary

This is a summary of coverage only. It does not replace the actual contract language of Form B. Please refer to Form B for complete terms, conditions and limitations of your coverages and your responsibilities. This coverage is issued subject to the Master Excess Insurance Policy issued to the California Department of Veterans Affairs and is subject to the deductibles, terms, conditions and provisions of the Master Excess Insurance Policy

This program does not provide coverage for household contents and personal property, nor is coverage provided for your personal liability (injury to a person or their property while on your premises)

Covers:

Buildings used as barns, outbuildings and the like, located on a private farm. If you are building, renovating or adding on to a barn or other building, your property is insured during construction. Building materials and supplies to be incorporated into the building while on or next to your property are also covered.

There is no coverage for building code upgrades.

Covered Causes of Loss (“Perils”)

You are covered for loss or damage as a direct result of fire, lightning, smoke, windstorm, hail, explosion, riot, riot attending a strike, civil commotion, aircraft, and vehicles. There are some limitations, please refer to Form B for details.

Note:

This policy specifically excludes all losses caused by wear and tear, deterioration, rust, mold, wet or dry rot, contamination, vermin, and the like. *As a result*, proper maintenance of your property is critically important to avoid an uninsured loss.

In addition, if you have *intentionally* concealed or misrepresented any material fact or circumstance, engaged in fraudulent contact or made false statements relating to this insurance, coverage under the entire Form B is void.

Amount of Insurance (“Limits”):

The amount of insurance is shown on the Certificate you receive from CDVA.

What You Will Receive If You Have A Loss

Farm buildings are valued at replacement cost less depreciation. The insurance payment will be the lesser of (1) cost to repair or replace that part of the structure damaged or destroyed with material of like kind and quality, less allowance for depreciation but not more than the cost to repair or replace the building; or (2) the amount of insurance under this policy; all subject to the Deductible as below.

Deductible:

You, the Certificate Holder have a \$250 deductible applying to each loss, each building. For example, if a fire damaged your barn and stable, your deductible would be a total of \$500. This amount will be deducted from your loss payment. Or, if the barn is damaged in a fire and later it had some hail damage, your deductible would be \$250 for each loss, for a total of \$500. In this case, since there are two separate losses, \$250 would be deducted from each loss payment.

Fire & Hazard Program**How to Report a Claim (Loss)**

Call Sams & Associates between 8:00 AM and 5:00 PM, Monday through Friday, at:

1-800-626-1613 (calls from within California only)
 1-800-566-7267 or 1-916-368-7267 (calls from outside California)
 For after-hours emergencies, call
 1-888-858-7243 and enter Pin 130545

Sams & Associates performs Claims Adjustment duties on behalf of the California Department of Veterans Affairs under the Fire & Hazard Program.

How Long You Have to Report a Claim:

If you have loss or damage, you must call Sams & Associates when damage is discovered, but no later than 12 months after the date of the loss. If you do not report the damage in a timely manner, your claim will not be honored. Sams & Associates will provide a proof of loss form for your signature once they have adjusted your loss. Within 60 days from the date, you must file a detailed, sworn proof of loss with Sams & Associates, unless Sams & Associates extends this reporting period.

Note: To ensure the proper, quick and timely settlement of your claim:

1. Do what needs to be done to protect the property from further damage by making necessary and reasonable repairs. To ensure reimbursement, be sure to keep an accurate record of your expenses. *Please keep copies of all invoices you have paid.*
2. It is your duty to cooperate with Sams & Associates in the adjustment process and settlement of the loss.
3. *By cashing or co-signing the loss settlement check*, you are agreeing that (1) repairs have been made to damage caused by a covered peril and (2) that the loss settlement check was issued for these repairs. This is extremely important in the event of a second loss.
4. California Department of Veterans Affairs has the right to repair or replace any part of the damaged property with equivalent construction if they give you written notice within 30 days after Sams & Associates receives the signed sworn proof of loss

IF YOU HAVE HAD THREE OR MORE CLAIMS WITHIN THE LAST 5 YEARS, ALL LOSS PAYMENTS WILL BE DIRECTED TO CALIFORNIA DEPARTMENT OF VETERANS AFFAIRS. Furthermore, for claims over \$10,000, the loss payments will be directed to CDVA. They will then reimburse you for repairs once you have provided the receipts or confirmation such repairs have been completed.

If you and Sams & Associates do not agree on the amount of the loss, refer to the procedures set forth in Section VII, Paragraph N on page 7 of Form A or Section V, Paragraph H on page 5 of Form B, Appraisal.

If you are still unhappy with how your claim is/has been handled and/or settled after you have complied with the appraisal procedures; please see page 13 of this pamphlet for the formal appeals process you will need to follow.

Indemnity Program

Summary

Covers:

The cost of repairing **structural damage** to your home (primary residence or dwelling) and other structures, on your property, is covered. In addition to single-family dwellings, “primary residence” is defined to include mobile homes, condominiums, or your home while under construction.

The Indemnity Program does *not* cover household contents, personal property, personal liability, additional living expense, loss of rents, growing crops, trees, shrubs, plants, lawns, landscaping or land, sidewalks, driveways, and loss of a cosmetic nature (as per definition under “Commonly Asked Questions” section).

This Program is not intended to duplicate the coverage of any other insurance, award, grant or benefit.

Covered Causes of Loss (“Perils”):

You are insured for the cost of repairing structural damage to your home and other covered structures as direct result of:

- **Earthquake**, *including* volcanic eruption, landslide, or mudslide;
- **Flood**, *including* floods by surface waters, waves, tidal water, tidal wave, overflow of streams or other bodies of water, spray from any of the foregoing, whether wind driven or not, and water that backs up through sewers or drains.

Excluded Causes of Loss:

All losses, including ensuing losses from causes other than direct damage from Earthquake or Flood, are excluded under this Indemnity Program.

What You Will Receive If You Have A Loss:

You are guaranteed to receive the cost to repair or replace your home (Guaranteed Replacement Cost) subject to the Deductible and Special Conditions listed in the following paragraphs.

Mobile Homes and Farm Buildings are valued at replacement cost less depreciation.

Deductible:

The following amount will be deducted from each and every loss:

\$500 from losses due to the peril of Flood (as described under “Covered Causes of Loss”);

5% of the total covered loss or \$500, whichever is greater, from losses due to the peril of Earthquake (as described under “Covered Causes of Loss”).

Special Conditions:

Building Code Upgrade Coverage is included for up to 5% of the certificate value for repairs made to the dwelling only.

Debris Removal is included.

Indemnity Program

What To Do In Case Of A Claim (Loss)

How To Report A Claim:

Call Sams & Associates between 8:00 AM and 5:00 PM, Monday through Friday, at:

1-800-626-1613 (calls from within California only)

1-800-566-7267 or 1-916-368-7267 (calls from outside California)

For after-hours emergencies, call 1-888-858-7243 and enter Pin 130545

How Long You Have To Report A Claim:

You must file all claims of loss within **90 days** following the date of loss. Please note: This is different from the Fire & Hazard policy

Who Adjusts The Claim:

CDVA claims adjuster will evaluate all claims under the Indemnity Program. Our adjusters are FEMA approved to handle Flood losses *if* you live in a Special Flood Hazard Zone *and* the National Flood Insurance Program has issued a policy covering your property. CDVA will be the sole judge of the need and amount necessary to repair or restore damaged property for losses other than those adjusted by the FEMA approved adjuster.

Please see page 13 of this pamphlet, if you are not satisfied with the loss adjustment on your claim, for the formal appeals process you will need to follow.

Note: Please contact either Patrice Collingwood or Cathy McLaughlin at Marsh Risk & Insurance Services, 415 743 8428 / 8157, if you are not satisfied with the NFIP loss adjustment.

Commonly Asked Questions

How Is The Amount Of Insurance Established? Your Home and Other Buildings:

The amount of insurance is based on the estimated replacement cost established at the initial appraisal of your property at the time of your loan. The estimated replacement cost is the *minimum* amount of insurance you must have. This amount is adjusted for inflation annually.

NOTE: Within the next 12 months, replacement cost values will be adjusted to reflect current building costs. Notification of the updated values will be coming from CDVA.

Farm and Outbuildings:

The amount of insurance is based on the replacement cost less depreciation established at the initial appraisal of your property at the time of your loan. The estimated replacement cost less depreciation is the *minimum* amount of insurance you must have. This amount is *not* adjusted for inflation *unless* you specifically request this adjustment in writing *and* CDVA approves it in writing.

We recommend that you check your loan documents to confirm which structures are covered under Form B. Unless specifically excluded, a structure is covered if it was noted as being on the property at the time of purchase. In order to add coverage for other structures, CDVA must be notified in writing and must agree to add coverage under the appropriate form.

Whose Responsibility Is It To Ensure That The Amount Of Insurance Is Adequate?

It is **your** responsibility to make sure the amount of insurance is adequate. Changes to your property such as renovations, additions and the like that affect the replacement cost of your home must be reported by you to CDVA. **You** are the best source of information about your home, and it is your responsibility to report changes to your property.

Note: To obtain Guaranteed Replacement Cost you are required by law to report changes to CDVA, including all changes in square footage, plus improvements, alterations, and renovations. *If you do not notify CDVA of changes to the structure, and you have an otherwise covered loss which damages the improvements, alterations, renovations and/or additions, you will not receive* Guaranteed Replacement Cost coverage for these improvements, alterations, renovations and/or additions.

Contact the Insurance Unit at 1-800-952-5626 or you can contact CDVA by e-mail or loanserv@cdva.ca.gov any time you make an improvement, alteration, renovation or addition to your property.

Note: Local property issues (for example, building code upgrade requirements) may also affect the value of your property.

How Can I Find Out What My Limit Should Be?

- Check with building contractors in your area for estimates on the cost per square foot to rebuild your home. Be sure to inform them of *special features* and any *custom upgrades* you have. Apply this cost to your square footage.
- Contact the CDVA Home Protection Administration Unit by calling 1-800-952-5626 or you can contact CDVA by e-mail or loanserv@cdva.ca.gov.

How Do I Request A Change In The Amount of Insurance?

You may request a change in the amount of coverage at any time. This may be accomplished by submitting a request in writing to the CDVA Home Protection Unit in Sacramento or by e-mailing CDVA at loanserv@cdva.ca.gov. Be sure to include your contract number, and keep a copy for your records. Once we have received your request and the appropriate changes have been completed, a new certificate of insurance will be returned to you. This will be your notice that the requested change has been completed.

Be prepared to document your request by including a brief description of the physical changes to your property. No requests for a reduction in coverage amount will be reviewed without documentation supporting your request.

What Does Guaranteed Replacement Cost Mean?

Guaranteed Replacement Cost is the full cost at the time of loss to repair or replace your home with like kind and quality of materials, subject to limitations.

What If I Do Not Want Guaranteed Replacement Cost?

CDVA is required by law to provide Guaranteed Replacement Cost coverage (with limited Building Code Upgrade coverage) on all primary residences for the Fire & Hazard Program. CDVA also provides Guaranteed Replacement Cost coverage on all primary residences for the Disaster Indemnity Program. Subject to limitations.

Note: To obtain Guaranteed Replacement Cost you are required by law to report changes to CDVA, including all changes in square footage, plus improvements, alterations, renovations.

What Is Cosmetic Damage?

Cosmetic Damage is defined as that which is decorative or superficial rather than functional. Cosmetic damage will be covered only in conjunction with structural repairs. Two examples of superficial cosmetic damage are when the only damage to your structure is cracks in your walls and ceilings that can be painted over, and exterior veneer that cracks and falls off the side of your house.

Are My Walkways, Driveways and Patio Slabs Covered For Earthquake And Flood Damage?

NO. Walkways, driveways and patio slabs are *not* covered, as they are specifically excluded.

Does This Program Cover My Personal Property and Personal Liability?

NO. Coverage for your personal property, the contents of insured structures and your personal liability are not covered under any of these programs. You must make arrangements through an insurance agent of your choice for this coverage.

What Type Of Coverage Should I Ask For When I Contact My Insurance Agent to obtain insurance for Personal Property and personal liability?

Most insurance agents can provide you with an “Owner Occupied Contents and Comprehensive Personal Liability” policy. Generally, this type of policy is referred to as an HO-6 policy (Homeowners Form 6). Or, the two types of coverage may be purchased separately from some insurers.

Can I Rent My CDVA Loan Property To Others?

Typically, the answer is **NO**. Rental of the property or any portion thereof is in violation of your CDVA loan agreement, and the insurance program does not cover rental income. However, certain exceptions may be granted by CDVA. *Permission must be obtained in writing from the CDVA prior to any rental.* Coverage for rental income will only be applicable if written approval is granted and renewed annually.

Does CDVA inspect the property before I purchase it, and do they warrant the quality and condition of the property?

The California Department of Veterans Affairs *does not inspect the property you purchase* for the condition of the building(s) or site conditions (such as soil conditions), *nor do they warrant, nor have they ever warranted* the quality or condition of the roof, wiring, plumbing, walls, floors, foundations, soils and the like.

How Can I Obtain The Necessary Insurance Documentation For A Second Mortgage?

You will have to complete the consent to encumber form in order to obtain approval for a second mortgage. Once the consent to encumber is approved, CDVA will send the appropriate information to the junior lien holder. You can download this consent form from the CDVA website at: <http://www.cdva.ca.gov/calvet/consent.pdf>

You may provide your loan contract number to the second mortgagee (bank or other lender) and instruct them to call the Home Protection Administration Office at 1-800-952-5626 for the necessary insurance documentation. CDVA will also provide the necessary evidence of Flood Coverage to the bank or other lender.

When I Pay Off My Loan, How Long Do I Have Before My Coverage Ends?

Your coverage ends 10 days after title to the property is transferred to you from CDVA. You must obtain your own insurance within the 10-day period or the property will become uninsured.

If your loan is paid in full through the deed and demand process, your coverage ceases the day the loan is paid off.

Can My Coverage Under These Programs Be Canceled?

Only CDVA can cancel your Fire & Hazard insurance. Additionally, the entire program - both Fire & Hazard Program and the Indemnity Program - can be terminated if it is considered prudent and reasonable by CDVA.

What Do I Do If I Am Not Satisfied With The Settlement Of My Claim?

If you do not agree with the decision of Sams & Associates and/or CDVA, you have the right to appeal the decision to the Chief of the Farm and Home Purchases Division of the California Department of Veterans Affairs. Your appeal should be addressed and mailed to:

Chief
Farm and Home Purchases Division
California Department of Veterans Affairs
1227 "O" Street, Room 200
Sacramento, CA 95814-5840

If you disagree with the decision of the Division Chief, you have the right to appeal the decision to the California Veterans Board. Your appeal should be addressed and mailed to:

California Veterans Board
1227 "O" Street, Room 100
Sacramento, CA 95814-5840

If you disagree with the decision of the California Veterans Board, you have the right to seek judicial review of the Board's decision. You may wish to contact an attorney of your choice for this purpose.

Prior to filing an action in court, you may be required to comply with the claim filing requirements of the Victim Compensation and Government Claims Board as set forth in the California Government Code. Neither the department nor any of its representatives can provide you with any legal advice regarding this matter.

If you should have any other questions regarding your coverage under these programs or about your loan, please call CALIFORNIA DEPARTMENT OF VETERANS AFFAIRS (CDVA) at 1-800-952-5626 or email CDVA at loanserv@cdva.ca.gov.